

ITEM 18
EXECUTIVE DIRECTOR'S REPORT
Workload, Budget, Legislation,
Legislative Analyst's Report, and Next Agenda

I. Workload

Type of Action	March 4, 2004	January 8, 2004	March 17, 2003
Test Claims to be Heard and Determined	126	131	86
Test Claims to be Reconsidered	0	0	0
Test Claims to be Reconsidered Based on Court Action	2	2 ¹	0
Incorrect Reduction Claims to be Heard and Determined	80	76	86
Proposed Parameters and Guidelines, and Amendments	29	29	39
Statewide Cost Estimates to be Adopted	16	15	1
New Test Claim Filings to be Reviewed	0	0	0
Appeals of Executive Director's Decision	5	5	0
Regulatory Actions Pending	0	0	2

II. Budget Updates

A. Senate Budget and Fiscal Review Committee

On February 27, 2004, Commission and Department of Finance staff briefed Dave O'Toole, new committee consultant. The Commission's budget is set for hearing on April 21, 2004.

B. Assembly Budget Committee

No hearing has been set.

¹ *Standardized Emergency Management Systems (SEMS) and School Bus Safety II*

III. Legislation

C. Bureau of State Audits Report (BSA)

Assembly Member Rebecca Cohn, former Chairperson of the Joint Legislative Audit Committee Chairperson, is carrying AB 2224 to implement the recommendations from the recent BSA Report on the *Peace Officers Procedural Bill of Rights* (POBOR) and *Animal Adoption* programs.

D. Assembly Special Committee on State Mandates

On March 8, 2004, the Assembly Special Committee on State Mandates held its first hearing to review education mandates. The committee will decide whether to recommend that the underlying mandates be repealed, made optional, or reimbursed. Commission staff is providing technical assistance and support for this process. The Committee will begin consideration of structural reforms in April.

E. Pending Legislation

See Exhibit C for a list and summary of pending legislation.

IV. Legislative Analyst's Office (LAO) Analysis of the 2004-05 Budget Bill

We expect the LAO Analysis and recommendations to be reviewed and considered by the budget subcommittees and the Assembly Special Committee on State Mandates. The major LAO findings and recommendations are reviewed below.

A. Perspectives and Issues: Major Issues Facing the Legislature – Mandates: *Mounting Liabilities and Need for Reform* (Exhibit B)

The LAO reports that the budget proposes to defer payment on 82 mandates, repeal 29 mandates, and suspend 21 mandates for fiscal year 2004-2005, for a total of \$2.7 billion in unpaid mandate claims. However, the LAO notes that because these claims are currently unaudited, this amount could decrease as reimbursement claims are reduced. The LAO notes that the administration's concepts (outlined in the proposed budget) for revising the mandate system have merit but do not go far enough to correct the structural problem in the existing system. The LAO identified six areas of concern that merit legislative review:

- Lack of payments undermines credibility of mandate requirement.
- Little confidence in mandate determination process.
- Claiming system invites problems.
- Legislature needs better information.
- Delays decrease legislative oversight.
- Mandate determinations are stuck in the past.

The LAO states that reform is critical and recommends the following structural changes to the mandate determination process:

- The Legislature should have access to mandate cost and other information *during* the legislative process. State agencies also should have assistance during the development of regulations.

- The body charged with making mandate determinations should be reconstituted so that all parties view it as objective.
- State agencies should actively participate in the mandate determination process, ensuring that state views and interests are documented and presented.
- Local governments should have some recourse to reduce their fiscal liabilities if the state does not fund mandates.
- The mandate determination process should be timely, with the Legislature learning of new mandates and their costs *before* or *shortly after* the mandate is established.
- The mandate claiming process should be simple, credible, timely, and easy to audit. Whenever possible, claims should reflect unit cost methodologies rather than open ended claiming.
- Mandate determination and claiming procedures should be updated as needed to reflect modern conditions, laws, and court rulings

B. *Analysis of the Education Mandates* (Exhibit C)

In the analysis of the education budget, the LAO recommends:

- The Legislature add budget bill language to several K-12 budget items in order to guarantee that districts use funds the state appropriates to satisfy local mandated costs.²
- The Commission reconsiders the following actions:
 - County Office of Education Fiscal Accountability Reporting* Test Claim Decision, and make any modifications necessary to clarify the extent to which budget act appropriations to county offices should be considered offsetting revenues to any state-mandated local costs of the program.
 - Standardized Testing and Reporting (STAR)* Test Claim Decision, to clarify whether federal testing requirements would reduce the scope of the state-mandated costs and to address the issue of offsetting state revenues.
- The Legislature, as part of any mandate reform, broaden the federal mandate exclusion so the Commission could waive state reimbursement any time federal law requires the same local program.
- The Legislature eliminate the *Physical Education Reports* mandate and contingent on an expected change in accounting requirements the *Employee Benefits Disclosure* mandate because they are unnecessary.

² *Standardized Testing and Report (STAR), California English Language Development Test, and California High School Exit Examination.*

V. Next Agenda – May 27, 2004

The tentative agenda is subject to change based on requests for extensions of time to file comments on draft staff analyses, hearing postponements, pre-hearing conferences, and Commission staff's litigation workload.

A. Test Claims/Proposed Statements of Decision

1. *Tenure Grievance Arbitration*, 98-TC-18, Sierra Joint Community College District, Claimant.
2. *Stull Act*, 98-TC-25, Denair Unified School District and Lassen County Office of Education, Claimants
3. *Algebra Instruction*, 00-TC-14, Sweetwater Union High School District, Claimant
4. *Distracted Drivers*, 01-TC-12, City of Newport Beach, Claimant
5. *Cancer Presumption for Law Enforcement and Firefighters*, (01-T-19), County of Tehama and CSAC EIA, Claimants

B. Proposed Parameters and Guidelines

1. *Differential Pay and Reemployment*, 99-TC-02, Palmdale School District, Claimant
2. *Crime Victims' Domestic Violence Incident Reports*, 99-TC-08, County of Los Angeles, Claimant

C. Requests to Amend Parameters and Guidelines

1. *Pupil Health Screenings*, 01-PGA-09, Clovis Unified School District, Claimant
2. *Law Enforcement Agency Notifications*, 01-PGA-11, Clovis Unified School District, Claimant
3. *Pupil Residency Validation and Appeals*, 01-PGA-08, Clovis Unified School District, Claimant

D. Proposed Statewide Cost Estimates

1. *Comprehensive School Safety Plans*, 98-TC-01/99-TC-10, Kern High School District, Claimant
2. *Standards-Based Accountability*, 98-TC-10, San Diego Unified School District, Claimant
3. *Immunization Records-Hepatitis B*, 98-TC-05, Los Angeles County Office of Education, Claimant
4. *School District Reorganization*, 98-TC-24, Campbell Union High School District and San Luis Obispo County Office of Education, Claimants
5. *Grand Jury Proceedings*, 98-TC-27, County of San Bernardino, Claimant
6. *Attendance Accounting*, 98-TC-26 and 01-TC-04, Campbell Union High School District, Claimant